

Packaging Physician Services:An Alternative Approach to Medicare Reimbursement

Part of the dramatic increase in expenditures for physician services can be attributed to unpackaging or a la carte billing, the practice of dividing a single procedure into its component parts and billing for each separately, for example, charging separately for follow-up visits rather than including them in a global surgical fee. Another source of inflation has been the increasing intensity of medical care, reflected both by the increased use of medical technology and by the involvement of multiple physicians in a single procedure or hospital episode. Concern over these sources of inflation has led the Health Care Financing Administration to fund a two-year research project to explore different ways of "packaging" physician services for reimbursement purposes.

The attached package simulations were developed from 1981 Medicare physician claims in South Carolina. They relate to three procedures commonly performed by urologists: diagnostic cystourethroscopy, transurethral resection (TUR) of the prostate, and prostatectomy. Table 1 compares diagnostic codes for patients undergoing cystourethroscopy in the physician's office and in the hospital, and the type of cystourethroscopy performed. Table 2 describes the physician's usual (billed) charge, and Medicare's allowed (or reasonable) charge by type of cystourethroscopy, and Table 3 presents the physician's usual fee and Medicare's allowed charge for the cystourethroscopy itself and related diagnostic procedures. Columns labelled "% of time billed" refer to the percent of cases in which a given procedure was performed. For example, a cystometrogram was performed in 4 percent of the patients with office cystourethroscopies, but in 10 percent of patients with in-hospital cystourethroscopies. The "TOTAL" therefore is a weighted average of the unit charge and the frequency with which the procedure was performed.

Table 4 presents diagnostic codes for patients undergoing TURs or prostatectomies. Table 5 presents charges for all physician services provided during the hospital stay in which the procedure was performed. Thus, the total Medicare bill for physician services associated with a TUR was \$1,035. Of this, Medicare's allowed charge for the actual operation was \$685, or 66 percent of the total. Adding in the diagnostic procedures and other surgeries performed by the same urologist raises this to \$726 on average, or 70 percent of the total bill. A "DRG" (diagnosis-related-group) approach to physician reimbursement might pay the urologist a fixed rate for the hospital episode

(for example, \$1,035) and then make this individual responsible for paying any other involved physicians (the anesthesiologist, medical consultants, etc.).

The information presented in these tables should be interpreted with full realization of their limitations. First, they represent only what is happening during a given hospital admission or office visit in a single state. Second, they may well underestimate the true frequency of physician services related to each procedure under consideration (diagnostic cystourethroscopy, TUR or prostatectomy). For example, they omit diagnostic tests done on an outpatient basis at a different time or during a previous hospitalization.

Despite these limitations, these tables do identify services that might justifiably be linked in a package approach to reimbursement and they do provide a first approximation (probably a lower bound) on what the frequencies of each service might be.

TABLE 1:

DIAGNOSTIC CYSTOURETHROSCOPY - DIAGNOSES CODED ON MEDICARE CLAIMS AND FREQUENCY OF PROCEDURE BY TYPE

CODED DIAGNOSES	IN OFFICE (n=354)	IN HOSPITAL (n=745)
Diseases of Urinary System (other than kidney)	78.2%	69.3%
Diseases of Male Genital Organs	8.2	20.4
Diseases of Female Genital Tract	2.3	0.8
Cancer of Genito-urinary Organs	7.3	5.2
Other	<u>4.0</u>	<u>4.3</u>
	100%	100%
FREQUENCY BY TYPE OF PROCEDURE	IN OFFICE	IN HOSPITAL
Diagnostic cystourethroscopy · simple	99.4%	72.8%
Diagnostic cystourethroscopy - with ureteral catheterization	<u>0.6</u>	<u>27.2</u>
	100%	100%

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TABLE 2:

DIAGNOSTIC CYSTOURETHROSCOPY - USUAL FEES AND MEDICARE ALLOWED CHARGES

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	IN OFFICE	IN HOSPITAL
<hr/>		
<u>Simple Cystourethroscopy</u>		
Physician's Fee	\$68	\$114
Medicare's Allowed Charge	\$55	\$ 91
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<u>Cystourethroscopy with Ureteral</u>		
<u>Catheterization</u>		
Physician's Fee	--	\$173
Medicare's Allowed Charge	--	\$139
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TABLE 3:

DIAGNOSTIC CYSTOURETHROSCOPY - USUAL FEE AND MEDICARE ALLOWED CHARGES FOR THE PROCEDURE ITSELF AND RELATED PROCEDURES

	IN OFFICE			IN HOSPITAL		
	Medicare Usual Fee	Medicare Allowed Charge	% of Time Billed	Medicare Usual Fee	Medicare Allowed Charge	% of Time Billed
<u>Cystourethroscopy:</u>						
Urologist	\$ 68	\$ 55	100%			
Anesthesiologist	-0-	-0-	-0-	\$130a 92	\$104a 65	100% 25
<u>Repeat Diagnostic Cystourethroscopy<sup>b</sup>:</u>						
Urologist	188	99	1	121	103	2
<u>Cysto- with Transurethral Surgery<sup>b</sup>:</u>						
Urologist	-0-	-0-	-0-	288	230	1
<u>Related Diagnostic Tests (Urologist):</u>						
Cystometrogram	50	8	4	44	36	10
Electronic Uroflowmetry	25	^	1	26	11	3
Electromyography	60	~	1	16	15	6
Manipulation of Urethra	20	14	1	17	9	1
Retrograde Urography	33	29	1	24	18	16
Biopsy of Prostate	105	48	2	83	33	8
<u>Urologist Consult:</u>						
Routine Office/Hospital Visit by Urologist:	22	17	49	30	21	26
<u>X-Ray Interpretation (Radiologist)</u>						
Surgical Tray	13	10	14	-0-	-0-	-0-
TOTALC	\$102	\$ 80	--	\$203	\$156	--

a Weighted average for the two types of cystourethroscopy using the relative frequencies and fees from Tables 1 and 2.

b performed within 7 days of original diagnostic cystourethroscopy. Transurethral surgery includes biopsy, fulguration, etc.

c Weighted average of column.

TABLE 4:

## TUR AND PROSTATECTOMY - DIAGNOSTIC CODES ON MEDICARE CLAIMS FORMS

	TUR (n=2,303)	SUPRAPUBIC PROSTATECTOMY (n=79)	OTHER PROSTATECTOMY <sup>a</sup> (n=52)
Cancer of Genito-Urinary Organs	7.4	2.5%	38.5%
Diseases of Urinary System	41.6	38.0	32.7
Diseases of Male Genital Organs	49.0	59.5	25.0
Other	1.7 100	0 100%	5.8 100%

<sup>a</sup>Perineal or retropubic

TABLE 5:  
TUR AND PROSTATECTOMY

	TUR			SUPRAPUBIC PROSTATECTOMY			OTHER PROSTATECTOMY <sup>a</sup>		
	Usual Fee	Medi- care	% of Time Billed	Usual Fee	Medi- care	% of Time Billed	Usual Fee	Medi- care	% of Time Billed
<b>Physician Fees For the Procedure:</b>									
Urologist	\$902	\$685	100%	\$929	\$793	100%	\$1,358	\$1,032	100%
Assist. Surgeon	166	113	1	37	160	44	353	199	63
Anesthesiologist	146	107	100	230	160	100	267	190	100
<b>Diagnostic Tests:</b>									
Proctosigmoidoscopy	56	39	2	35	25	1	40	31	6
Cystometrogram	43	38	3	0	0	0	40	40	2
Electromyography	18	17	2	0	0	0	40	40	2
Diagnostic Cystourethroscopy	117	96	16	100	77	49	117	91	29
Cystourethroscopy with transurethral surgery	198	136	5	230	165	6	195	155	10
Biopsy-prostate	89	42	3	75	33	1	100	39	10
Other Surgery: <sup>b</sup>	425	310	24	353	251	44	560	395	54
<u>Routine Hospital Visits:</u> <sup>c</sup>	212	155	33	215	164	34	218	157	54
<u>Concurrent Care Visits:</u> <sup>c</sup>	171	129	9	129	100	10	159	114	8
<u>ICU Visits:</u> <sup>c</sup>	159	115	2	220	184	3	120	75	1
<u>Consultations:</u> <sup>c</sup>	74	55	33	68	53	35	72	51	42
<u>X-ray Interpretation (Radiologist):</u>	69	56	76	52	44	66	89	72	50
<u>Other (Pathologist's report, ECG interpretation, etc.):</u>	35	23	83	17	14	75	17	13	87
<b>TOTAL</b>	<b>\$1,378</b>	<b>\$1,035</b>	<b>--</b>	<b>\$1,632</b>	<b>\$1,314</b>	<b>--</b>	<b>\$2,392</b>	<b>\$1,740</b>	<b>--</b>

<sup>a</sup>Perineal and retropubic

<sup>b</sup>Includes fees for surgeon, assistant surgeon, and anesthesiologist. About 22% of these fees represent fees charged by the same surgeon who performed the TUR (or prostatectomy). Types of operations range from diagnostic procedures, such as upper GI endoscopy, to therapeutic procedures, such as hernia repairs.

<sup>c</sup>Most of these fees are from an internist or a her medical specialist.

SIMPLE DIAGNOSTIC CYSTOURETHROSCOPY - EXPECTED PROPORTION OF AVERAGE PATIENTS  
REQUIRING ADJUNCTIVE PROCEDURES OR SERVICES

1. What is the justification of the higher Physician's Fee for diagnostic cystourethroscopy performed in the hospital vs. in a urologist's office?

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2. In the average male and female patient seen by the average urologist, how often are each of the following procedures or services indicated as adjuncts to simple cystourethroscopy?

<u>Procedure/Service</u>	<u>Percent of Cases</u>	
	<u>Average Male Patient</u>	<u>Average Female Patient</u>
<u>Repeat Diagnostic Cystoure- thoscopy within 7 days</u>	_____ %	_____ %
<u>Related Diagnostic Tests</u>		
Cystometrogram	_____ %	_____ %
Electronic Uroflowometry	_____ %	_____ %
Electromyography	_____ %	_____ %
Manipulation of Urethra	_____ %	_____ %
Retrograde Urography	_____ %	_____ %
Biopsy of Prostate	_____ %	_____ %
Other (Specify)	_____ %	_____ %
<u>Cystourethroscopy with transurethral surgery</u>	_____ %	_____ %

TUR OR SUPRAPUBIC PROSTATECTOMY - EXPEC %D PROPORTION OF PATIENTS WITH CLINICALLY SUSPECTED BENIGN PROSTATIC HYPERTROPHY REQUIRING THE SPECIFIED DIAGNOSTIC PROCEDURES OR PHYSICIAN SERVICES

**Procedure/Service**      **TUR**      **Suprapubic Prostatectomy**

### Diagnostic Procedures Prior to Surgery

Proctosigmoidoscopy	_____	_____
Biopsy-prostate	_____	_____
Simple cystourethroscopy	_____	_____
Cystourethroscopy with transurethral surgery	_____	_____
Cystometrogram	_____	_____
Electromyography	_____	_____
Other _____ specify _____	_____	_____

Assistant Surgeon for the Procedure

## Post-operative Care

Concurrent Care by Internist  
or Other Medical Specialist

YES \_\_\_\_\_

Average No. Visits Required \_\_\_\_\_

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